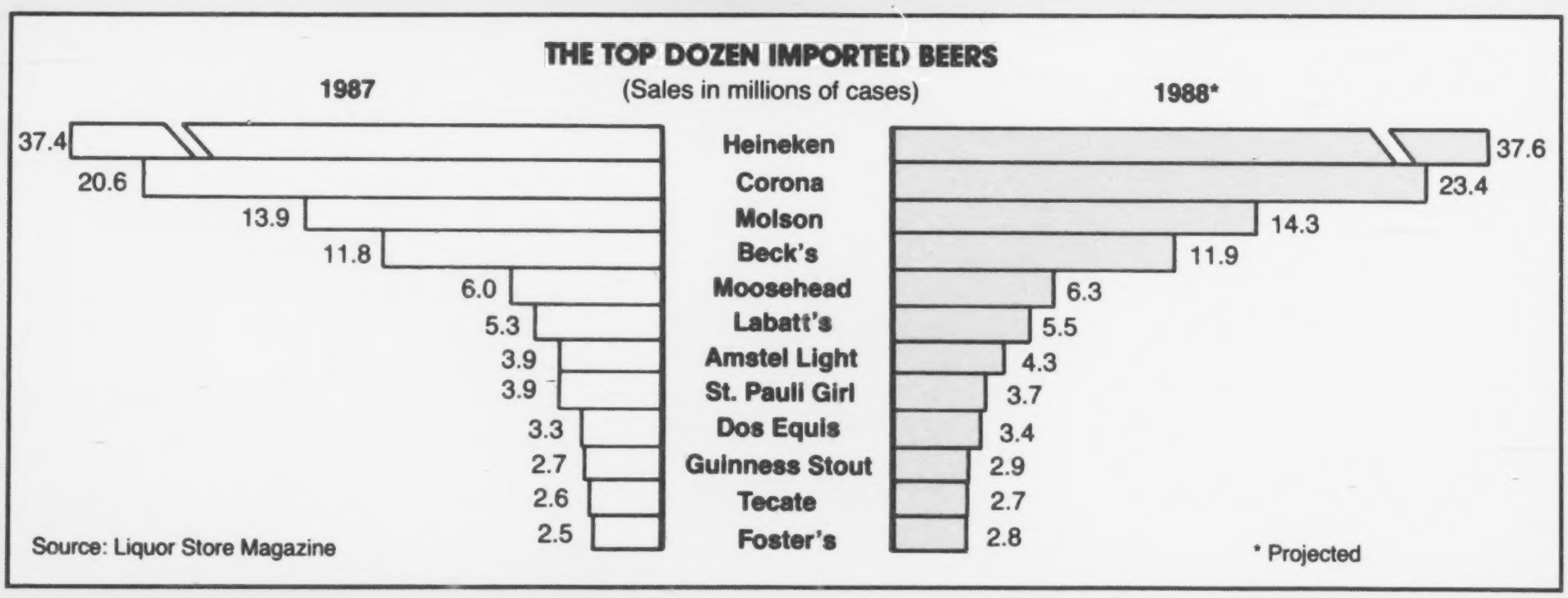
coming even more established, as it is being introduced in additional Eastern markets in 1988

Another beer that has had huge increases is Foster's, which has shown an impressive annual average growth rate of 68 percent since it was introduced to the United States in 1973. Its climb has been helped by America's recent interest in things Australian and by the beer's popularity with sailing and sports fans.

One area where the imports expect to make additional penetration is the light beer category. While it now amounts for about one-fourth of the entire domestic market, it accounts for only about 4 percent of the imported category. John Kucich, chief executive officer of All-Brand Importers, which now has three of the 12 best-selling imports, predicts the next great area of growth will be in the light category. All-Brand recently introduced Moosehead Light.

Amstel Light, the seventh ranked import, currently controls three-fifths of the entire imported light beer category, with sales of 3.9 million cases, and it is projected to increase that total to 4.3 million cases by year's end.



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Soups get hotter as fall approaches
Focus section follows page 28

NRN Special R... Food service i...
Section begin...

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The Weekly Newspaper of the Food-Service Industry

Vol. 22, No. 38 | Published every Monday by Lebhar-Friedman Inc.; $3 a copy, $26.50 a year | September 19, 1988

Domino's to roll out pan pizza

By Karen Bruno

ANN ARBOR, Mich. — Domino's Pizza is poised to roll out a pan pizza, which would be the first product-line extension in the chain's history.

"It's a little scary," said Thomas Monaghan, founder and president of the 4,500-unit chain, "but we think we can do it."

The new pizza, which is about an inch thick, is currently being tested in two company stores in the Ann Arbor area and three stores in Cedar Rapids, Iowa.

"It's still very much operational testing," said Mike Raymond, group marketing director. "We won't roll it out if it jeopardizes existing customers."

Monaghan has been reluctant to complicate Domino's concept—the delivery of whole, thin-crust pizzas within 30 minutes—by rolling out new dishes. The only other item Domino's delivers is soft drinks.

Some tests of other products, such as a breakfast pizza, were well received by customers but were never introduced chainwide.

"It's doing phenomenally," said a store manager at one of the Cedar Rapids locations, which began selling the pan

*(See **DOMINO'S**, page 102)*

NRN Photo

Keith Dunn, president, left, and Michael Brandson, vice president, of Asheville, N.C.-based McGuffey's.

New McGuffey's creed eases labor crisis

By Jack Hayes

ASHEVILLE, N.C. — McGuffey's wasn't built on the premise that profit sharing and dental insurance will keep cooks and waitresses from robbing restaurateurs blind and biting them in the back.

However, after battling sunken profits and a turnover epidemic that broke 200 percent in 1986, the owners of this $5 million casual lunch and dinner operation have made peace with the idea that employees need to be cared for.

Thus, a little more than 18 months ago, McGuffey's management discovered that listening, goal-setting, trusting, and praising might do more to solve the coming food-service labor crisis than would another million bored

*(See **McGUFFEY's**, page 102)*

Steel costs spur sticker shock for equipment

By Rick Van Warner

Higher equipment prices, sparked by sharply rising stainless-steel costs, are threatening to escalate the war on restaurant profit margins.

Food-service operators, many of whom are already being pelted by rising labor, food, and real-estate costs, are facing significant price hikes for everything from dishwashers and refrigerators to cooking equipment and utensils.

"The average restaurateur is probably having sticker shock," said Louise O'Sullivan, president of Groen Corp., a food-service equipment manufacturer. "If they looked at the price of a piece of equipment in January, it has probably gone up twice since then."

Although aluminum and copper costs have also risen, it's the price of stainless steel that is having the biggest impact on the food-service equipment business.

Stainless steel, a by-product of raw steel, is a key component in a broad range of food-service equipment and supplies. Increased demand for all types of steel, combined with a dwindling supply of steel imports and higher nickel costs, has sent stainless prices soaring.

"It's a combination of supply

*(See **EQUIPMENT**, page 102)*

Fine-dining operators write long list of woes

By Ken Frydman

NEW YORK — Scorching heat, the summer vacation exodus, the fish scare, slumping local economies, and oversaturation are all being blamed for sales slumps at upscale independent restaurants around the nation.

The comments came as many of the nation's restaurateurs gathered here for a conference sponsored by Travel-Holiday magazine.

For Louis Szathmary, chef-owner of the Balery restaurant in Chicago, the most challenging obstacle of 1988 has been the weather.

When temperatures consistently climbed above 100 degrees in Chicago this summer, many regular restaurant-goers stayed home with take-out and delivered food.

In suburban Skokie, Ill., Reinhard Barthel's business was also suffering at the Tower Garden & Restaurant.

"Business was a bummer this summer because of the heat," Barthel said.

"In August," Barthel said, "we were down $40,000 over the same month last year. Covers dropped from 100 to 60 at lunch and 100 to 90 at dinner."

"The summer heat and vacations hurt us," said Lew Mitchell of Lew Mitchell's Orient Express in Los Angeles.

Peterson calls operators to action

In talk at Travel-Holiday meeting, he rips legislation that milks restaurant industry for revenues.

Page 4

In New York, Jerry Berns of the "21" Club, Felidia Bastianich of Felidia, and Tony May of Palio, Sandro's, and San Domenico all blamed an oppressively hot summer with taking a bite out of their Big

*(See **CONFAB**, page 4)*

FOOD WATCH

Penta goes oom pah pah for Oktoberfest

NEW YORK — The throngs of German tourists who visit here this fall should feel right at home.

Bavarian oompah music will fill the air, and imported Munich beer will flow on Oct. 2 in the Penta hotel's Bierstube restaurant, which is observing the traditional German festival. But it's the food that will highlight the event.

Among the German specialties on the 90-seat Bierstube's menu this month are Hungarian goulash soup ($3.50), white Bavarian sausage ($4.75), wild mushrooms with bread dumpling ($5.25), sauerbraten with bread dumplings and red cabbage ($8.75), Bavarian sausage loaf ($7.25), liver dumpling soup ($2.95), and roasted veal shank with potato ($11.25).

"We're open year-round, but this is the busiest time of year because of Oktoberfest and all the Germans and other Europeans who stay here," said Peter Wirchansky, who manages the Bierstube and the adjoining Globetrotter restaurant. —Ken Frydman

BERNSTEIN: WHEN THE CONSUMER SPEAKS, TRY TO LISTEN — Page F3

INSIDE NRN

News

Hotel restaurants fill Chicago's luxury niche 7
Central Park units go modular 14
Vernon to direct sales at Ribby's division 14
Napolitano named Domino's risk manager 14
Cooke predicts business, industry growth 16
Brethauer takes prize at egg recipe contest 16
Balocik named director at Cafe 66 16
Arby's taps 7 Five-Star finalists 22
New managers fight to keep Admiral afloat 57
Plant closing rules may hit employees 64
Eydt ousted at Rockresorts 64
Singer to buy Detroit River restaurant 62
Sears, McD sign deal for 'McKids' 78
Subway breaks record for franchise expansion 78
Charley's Crab hosts benefit 83
Opryland Hotel makes staff changes 83
Greyhound promotes Rago to senior vp 83
Matsuri brings Japanese technology to Chicago 88

Focus

Section follows page 28

Cover Story/Soup getting hotter F1
Bernstein/When consumers speak, try to listen F3
Rankin/Drought won't hit food prices hard F4
Food service rides the boom in Korea F8
Seoul certifies 3,000 restaurants F12
Cuisines of Seoul span the globe F17
Korea House: Pride of a nation F18
Food makes history at the Kimchi F18
Ancient Korea lives on at Sanch'on F23
Some like it hot F23

Columns

Hochstein/Waiters, clerks need product knowledge 57
Walkup/Operators update older restaurants 62
Patterson/Kitchen layout affects equipment life 78

Food

Fabricant/Russian operator pays a visit 11
Food Digest 11
What's Hot/Annapolis, Md. 11

Marketing

Summer ads boost awareness for fast feeders 12
Marketing Digest 12
Ad Watch/McDonald's 12

Financial

Is merger boom on its last legs? 100
Famous Fish rolls low-priced menu 100
Financial Digest 100
Stock table 101

Features

F.I.R.S.T. instructions .22
Letter F3
Classified 85-94
Product News 66,75
Advertiser index 100

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Subscription rate: Food-service operators and wholesalers/distributors, one year, $26.50, two years, $44.50. Auxiliary (consultants, architects, designers, manufacturers, suppliers, and schools) and all others, $59.

Nation's Restaurant News (ISSN 0028-0518) is published weekly, every Monday except the last Monday in December, by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Second-class postage paid at New York, N.Y., and additional mailing offices. POSTMASTER: Send change of address to: Subscription Department, Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079.

For change of address, please write Subscription Department, Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079. Six weeks' notice is requested. Please send old and new address and zip codes. If possible, include mailing label.

Vol. 22, No. 38

Sept. 19, 1988

NEWS DIGEST

Pritzkers offer $371M in effort to buy Ramada

PHOENIX, Ariz. — The Pritzkers, the Chicago-based family that owns and operates Hyatt Hotels, has tendered a $371 million bid to acquire Ramada Corp., the operator of several lodging systems and the Marie Callender's coffee-shop chain.

Ramada is widely expected to rebuff the $10-per-share offer. The company, which has posted a lackluster financial performance in recent years, has vowed in the past to remain independent.

The Pritzkers, who already control 7.2 percent of all Ramada stock, threatened to take "unilateral action" if their current bid was rejected.

Ramada's holdings include Ramada Inns, Ramada Renaissance hotels, Rodeway Inns, and Tropicana casino-hotels in Las Vegas and Atlantic City.

Wyatt shareholders approve $173M sale to ESOP

DALLAS — The shareholders of Wyatt Cafeterias have voted to accept a $173 million acquisition bid from the company's employee stock ownership program, all but dashing the chances of a takeover by the chairman of a rival cafeteria chain.

The spurned suitor, Michael Levenson of Furr's/Bishop's Cafterias, indicated through a spokeswoman that he would ask the Texas attorney general to review Wyatt's pending deal with the ESOP. Levenson has alleged that some Wyatt shareholders rebuffed his $188 million offer because of the tax advantages of selling to a stock ownership plan. Yet, he has asserted, three nonprofit companies with sizable stakes in Wyatt would not benefit as much as they would if the company accepted the bigger bid.

A Wyatt director has confirmed that the board rejected Levenson's higher offer because of the tax breaks that stem from selling to an ESOP.

Godfather's drops discount for late pizza deliveries

OMAHA, Neb. — Following several fatal accidents involving pizza delivery vehicles, Godfather's Pizza has dropped its standing offer of refunding $3 to any patron whose pizza is not delivered within 30 minutes of the time it is ordered.

The 580-unit chain is believed to be the first major pizza chain to shelve a money-back offer, which has played a key role in the development of the pizza-delivery segment.

"In most of these cases local officials believe a 30-minute delivery guarantee was partly to blame," Herman Cain, Godfather's president, said of the deaths. "The perception that they might be [the cause] prompted us to review our delivery procedures, . . . the result of this investigation being the discontinuation of the delivery discount offer."

Even without a money-back guarantee, Cain said, most Godfather's customers will continue to receive their delivery order within 30 minutes.

After leaving Marriott for Bush, Malek resigns

WASHINGTON — Fred Malek, who stepped down as president of Marriott Hotels to take a high-level job in George Bush's presidential campaign staff, has resigned from the political post amid a storm of controversy.

Malek has admitted that in 1971, while serving as chief of White House personnel for President Nixon, he compiled a list of Jews employed in top-echelon jobs within the Bureau of Labor Statistics. Nixon requested the roster reportedly because he suspected that Jews were manipulating employment figures.

Malek said he did not engage in any anti-Semitic act at the time but was resigning as one of Bush's top advisers so that he would not hamstring the vice president's election campaign.

It was not clear whether Malek would return to Marriott, which granted him an indefinite leave of absence earlier this year. The company restructured its operations in the wake of Malek's departure.

Yellowstone fires lead TW to close feeding sites

MAMMOTH HOT SPRINGs, Wyo. — Multiple fires in and around Yellowstone National Park have spurred TW Recreational Services to close all food and lodging facilities at least a week earlier than usual.

The Chicago-based concessionaire had only two of 11 food outlets open and 400 of 1,500 rooms rented when it decided to cease all operations. TW expressed concern about the dangers posed to guests and employees by the fires and seemed frustrated by the closing of roads leading to the facilities it manages.

A TW spokesman said food and beverage covers for the week ending Sept. 3 had dropped 67 percent from the figure for the year-ago period, to 21,000.

Shurtleff discloses plans to retire as Sybra chairman

ATLANTA — Sybra, an Arby's franchisee here, said longtime chairman and chief executive Hugh C. Shurtleff will relinquish his posts on Jan. 1 to step into retirement.

Glenn R. Simmons, a Sybra director, will succeed Shurtleff as chairman, and Charles N. Hyslop, the concern's president, will take on the additional title of chief executive, the company said.

In disclosing the pending changes, Sybra noted that Shurtleff will celebrate his 70th birthday in December. The company operates some 115 Arby's units.

Dominique's opens spin-off in Inner Harbor complex

BALTIMORE — Dominique's, a dining landmark of nearby Washington, has opened a clone at the Inner Harbor shopping-and-dining mall here.

The new restaurant is the third duplication of the original Dominique's, which has cultivated a healthy following among Washington's elite. Among the 14-year-old prototype's hallmarks are such game dishes as rattlesnake, bear, and alligator.

Dominique's operates a scaled-down unit in nearby Annapolis and a regular-sized restaurant in Miami Beach. A fifth outlet is scheduled to open this fall in West Palm Beach, Fla.

Marriott earmarks $1B for Residence Inn growth

WASHINGTON — Marriott Corp. will spend $1 billion during the next five years to almost triple the size of its Residence Inn hotel chain, according to the division's executive vice president, David Rolston.

In an attempt to fend off up-and-comers in the so-called extended-stay market, Marriott plans to expand Residence to 300 properties from the present tally of 123, Rolston told Dow Jones News Service.

A Residence Inn features accommodations that resemble apartments more than traditional hotel rooms. The properties cater to travelers who are visiting an area for an extended period of time.

TRC completes acquisition of Friendly Restaurant

ITASCA, Ill. — Tennessee Restaurant Co., operator of the 345-unit Perkins family restaurant chain, has completed its acquisition of Friendly Restaurant Corp., a 850-store former competitor.

The deal makes Tennessee Restaurant the nation's second-largest operator of family restaurants. Only TW Services, whose Denny's division consists of 1,200 units, has more outlets.

As expected, Donald N. Smith, chairman of both Tennessee Restaurant and Perkins, has assumed the same post at Friendly. He has indicated that Friendly will remain separate from Perkins and will retain its current management.

Compiled from news and staff reports

FOCUS | VIEWPOINT

Nation's Restaurant News

is published by
LEBHAR-FRIEDMAN INC.
425 Park Ave., New York, N.Y. 10022
212 371-9400
Subscription Services, ext. 379 or 419
Cable Address: LEBHAFRIED
Panafax: 212 838-9487

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Publisher of Nation's Restaurant News, Discount Store News, National Home Center News, Drug Store News, Accounting Today, Computer&Software News, Computer Product Selling, Chain Store Age Executive (with Shopping Center Age), *APPAREL merchandising*. Affiliates: Business Guides Inc., Lebhar-Friedman Books; Inside Retailing (Newsletter); Chain Store Age News, Japan; Largo Music Inc.

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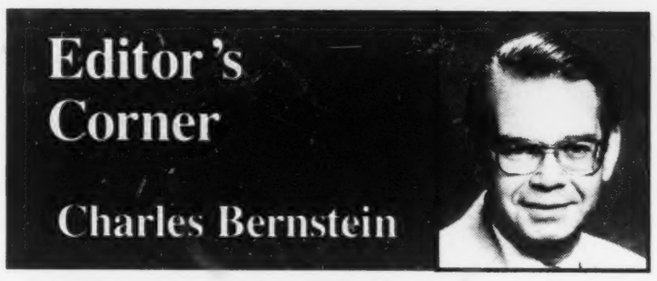
When the consumer speaks, try to listen

Restaurant operators and trade observers have been scoffing at a Consumer Reports survey of 32 restaurant chains ever since that magazine published the results in July.

Many consider the survey outdated since it was based on a one-year period ended in April 1987. Others call the three segments assigned to chains arbitrary and irrelevant.

One columnist, the publisher of a Cleveland-based food-service magazine, was particularly critical of the results. He termed them "curious and depressing" and questioned "just how much experience this influential publication [Consumer Reports] has measuring something as subjective as dining out." He quoted one chain executive as suggesting that "I'd place a lot more confidence in this sort of thing if, say, CREST had done the survey."



Chains cited for being at the bottom of the cleanliness category maintained, as one executive put it, that "customers too often confuse atmosphere with cleanliness. No matter how clean a restaurant is, if it looks old somebody will perceive it as dirty."

A spokesman for a chain that ranked last in its segment pointed out that since the survey was taken, "we have placed additional emphasis on service and our 'cooked to order' philosophy. We've also added a dinner buffet."

In some cases the defenses are just sour grapes; in others they bring up valid points. But we think the results are highly significant for the industry and the specific chains, regardless of when the survey was taken.

The survey is based on the highest possible sample, 220,000 diners who were asked their opinions on leading family restaurant, steak-house, and dinner-house chains. More than 10,000 responses were received for most of the major chains.

The criteria for ratings were taste, menu selection, service, atmosphere, cleanliness, value, and child accommodations. Each factor is crucially important to the industry, with the possible exception of the last—which still has some application.

Scoring highest in the family restaurants segment were Bob Evans, Marie Callender's, and Shoney's. Howard Johnson was at the bottom.

Among steak houses Western Steer led the way, with Quincy's, Mr. Steak, and Golden Corral close behind. Ponderosa and York tied for last place.

Stuart Anderson's, Steak & Ale, and the Brown Derby ran neck and neck for the dinner-house lead. The Ground Round finished a distant last.

Even if one allows for the improvements made by some chains and the deterioration of others in the time that has elapsed since the survey was conducted, the points that emerge are still valid.

When the consumer speaks, everyone should listen and expect better results than E.F. Hutton achieved. It is no coincidence that a major topic of conversation at the McDonald's stockholder meeting in May was another Consumer Reports survey that had just come out on fast food and gave McD less-than-perfect ratings on nutrition.

Chairman Fred Turner that day seemed to stonewall the issue, perhaps not immediately realizing the full impact. He finally smilingly conceded that "we all ought to read these survey results as soon as possible."

It indeed is a smart idea to take consumer feedback seriously from every source—particularly one whose integrity is as strong as Consumer Reports. Many may disagree with the technicalities of its surveys and with the results, but very few question the honesty of its efforts.

The categories that were averaged to reach the final conclusions of the July Consumer Reports charts and article are exactly the areas where restaurants should want to score highest. Yet one stood out from the others in its impact: value, or the lack of it.

Family restaurants far outdistanced dinner houses in value, which can be interpreted as a price-value perception. Perhaps the real message is that value is uppermost in the consumer's mind and that in some ways value may be construed in terms of "lower price" as well as "getting one's money's worth" in any price range.

Admittedly, the "winners" received a great deal of positive publicity and the "losers' negative publicity. However, it behooves all chains to take these results seriously and to learn from them rather than trying to discredit the survey.

LETTERS

Nathan's Famous beats White Castle by 5 years

Editor, NRN:

In your Aug. 1 edition, page 4, in the White Castle story, in paragraph four, there is a statement that White Castle is a 67-year-old chain, which we are certain is correct.

However, the final paragraph of the story states that the Ingram family claims that the original five-stool White Castle restaurant, which opened in Wichita, Kan., was the first fast-food restaurant in the country.

That statement is not correct. The first fast-food restaurant in the country was Nathan's Famous, founded in July 1916 at Coney Island, Brooklyn, N.Y., by the late Nathan and Ida Handwerker.

In 1912 the two of them worked as roll slicers at Feltman's Beer Gardens in Coney Island. Entertaining there was the team of Eddie Cantor and Jimmy Durante. They urged Nathan and Ida to open their own stand and sell the hot dogs for five cents instead of Feltman's 10 cents. It took the young immigrants several years to accumulate $300, and in the summer of 1916, they took the plunge.

Over the past 72 years, Nathan's Famous has been acknowledged as the first and longest-running fast-food restaurant chain in the country and perhaps the world—by many reliable sources in the media, government agencies, and the public.

So that there be no misunderstanding, we at Nathan's Famous have great admiration for the White Castle organization, the Ingram family, and the firm's chain of restaurants around the country. Like Nathan's, which has been on the food-service scene for 72 years, White Castle has been for 67 years a culinary part of American democracy, as we see it, and may this continue for many years to come.

—Max Rosey
public relations director
Nathan's Famous
New York

Spartan Food Systems: never a down quarter

Editor, NRN:

I'm writing in reference to the "Big Mac Competition" item in Reporters' Journal in the July 18 issue of NRN.

There it was stated that McDonald's had achieved 92 straight quarters of increased earnings—a record believed to be surpassed only by that of Shoney's Inc.

Spartan Food Systems, a subsidiary of TW Services Inc., has just completed its 107th consecutive quarter of increased earnings. Spartan Food Systems has never had a down quarter and has been in business since 1961.

—H. Steve McManus
vice president of operations
Spartan Food Systems
Spartanburg, S.C.

Restaurants and hotels need cooperative effort

Editor, NRN:

I've read with a great deal of interest your Aug. 8 article entitled "Hotels to slash growth in '88."

Although it is generally acknowledged that growth in the full-service segment of the industry is slowing, growth in the economy segment of the lodging industry is more than making up for the number of rooms not being built by full-service organizations such as those you highlighted in your article.

The economy segment of the industry will account for more than 20 percent of all hotel rooms by 1990. Our growth has gone from 20,000 rooms in 1970 to an excess of 50,000 rooms in 1988. It is our segment of the industry that is filling the void left by full-service chains.

Although we do not build restaurants within our properties, an association between our properties and a restaurant organization is very important to the success of both of us.

Thank you so much for including the hotel industry within the scope of your publication, as our two industries truly do work hand in hand.

—Joan Ganje-Fischer
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Economy Lodging Council
vice president
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